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ABSTRACT

This paper presents an overview of Florida's fiscal status and the state of its educational fiscal reform. Five areas of concern are identified regarding educational finance--adequacy of funding, educational reform initiatives including accountability, equity, alternative tax sources, and communication. These issues indicate a highly unstable fiscal and political environment regarding state funding of education. A conclusion is that adequacy of funding is the most serious issue because the state's tax structure is not sufficient to handle extraordinarily high rates of student enrollment growth. In addition, the state's accountability initiative has allowed school districts more flexibility in spending decisions but has not produced any new revenues for them. Regarding equity, there is increasing controversy around the legal and practical status of the state's statutory cap on local discretionary millage for operations. Alternative tax sources for school funding are now being advanced but taxpayer resistance is high. Finally, it is clear that future solutions to current problems will be derived from a combination of technical, financial, and political strategies. Five tables are included. (LMI)

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CONTEMPORARY EDUCATIONAL FINANCE REFORM IN FLORIDA: THE STATE OF THE STATE

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THE FISCAL STATE OF FLORIDA

The public educational system in Florida is now the fourth largest system in the country, outranked only by California, Texas and New York. In 1992-93, public school enrollment exceeded two million. Enrollment has increased a half million since the beginning of the eighties. The pressure of growth, an unresponsive tax structure, and a national recession have combined to place increasing stress on the state's educational system and the political system that supports it.

Florida, like most states, is facing a fiscal crunch in the 1990s. Its unique demographic, political, and economic infrastructures are being confronted with unprecedented challenges due to insufficient funds to meet growing demands for social services. Factors exacerbating the financial crunch in Florida include a rapidly increasing population fueled primarily by inter-state and international migration; a concomitant need to expand services; judicial and federal mandates requiring the state to provide certain services; a taxation structure especially vulnerable to economic recessions and insufficiently sensitive to growth; and a populace weary of tax increases. The impact of a structural deficit in Florida's fiscal system was felt throughout most of the 1980s, the problems worsened with the national economic recession in 1990-91 and 1991-92 resulting in state revenues collections falling below predictions, and continue to be felt even though Florida's economy generally strengthened toward the end of 1992 and signs are even more promising for 1993.

Inadequate Tax Structure

Florida has no personal income tax and relies heavily on sales tax revenues. However, sales tax revenues have failed to keep pace with the growth in demand for services propelled by the state's enormous growth in population. An attempt by the 1987 Legislature to expand the base of the sales tax to include a sales tax on services was repealed six months after its enactment.

Volatile Fiscal Status

Florida appears to be moving slowly out of the recent recession which hit Florida hard. The misconception by some that Florida's economy tends to be relatively more immune to national economic recessions than most other states was proved wrong in the 1990-91 recession. In December 1988, the Florida jobless rate rose above that of the U.S. for the first time in the decade of the 1980s and for 15 quarters it remained above the nation's by an average of 0.6 percentage points. Other productivity and growth measures have shown a considerable and visible decline. Factors contributing to the slump may be more structural than seasonal or temporary: excessive commercial and residential real estate development; slowing of household in-migration; mergers and consolidation in financial-services and business-services firms; the bankruptcy and the eventual shut-down of two major national airline companies based in the Miami area; and sluggish recovery of disposable personal income. Retail sales, which are an important contributor to the state's economy, declined considerably in 1991 due mostly to a drop in tourism and the lack of economic activity generated by retirees whose return on investment had flattened. This economic slump has been also felt by state and local governments due to the decline of sales and corporate taxes which comprise the lion's share of revenues in the absence of a state personal income tax.[1]

There are other structural factors that are linked to long-term effects. Florida's appeal as a low tax/low wage state for businesses is offset by demographic and other realities: the lack of a qualified labor force (embedded in the fact that the state has high drop-out rates in its schools and a high illiteracy rate); low and decreasing investment in human capital; and a crime rate that is 50 percent above the national average and the highest per capita in the nation.[2] Additionally, growth in the state has not been a simple homogeneous process, but rather a heterogeneous one driven by the diversity of its regional economies with no single dominant metropolitan area. Therefore, statewide policies are rendered less effective across the board. Demographic changes are also causing stress to Florida's economy. In the 1990s, the state's fastest growing population groups will be the young and the very old, meaning more

demands for state services such as schools and health care. At the same time, the state's prime working-age population, which pays most of the taxes, is expected to grow much more slowly.

Returning Fiscal Health

Even with (and to some degree because of) Hurricane Andrew, the economy of Florida generally strengthened during 1992. The state ended the year with the unemployment rate once again below the national average. With inflation estimated at 3.0% and income growth at only 3.2%, an estimated 8.0% percent gain in 1992 sales over 1991 is the strongest rate of increase since 1987. Positive forces include increased tourism, increased net migration, recovery in housing starts. Depressing effect include construction other than non-single family housing, decline in employment in the state's hi-tech defence manufacturing sector and financial institutions and a decline in per capita income.[3]

Hurricane Andrew

On August 24, Hurricane Andrew ravaged South Florida, destroying more than $20 billion worth of property and leaving insurance companies with an unprecedented $15.6 billion. The silver lining of Hurricane Andrew should emerge in 1993 in the form of job, income and sales growth stimulated by rebuilding, replacement and repair of storm-devastated property.

EDUCATIONAL FINANCE IN FLORIDA

Education accounts for the largest share of the state budget, though this share has declined recently. After a brief period of declining enrollments between 1976 and 1981, the number of public school students has been increasing at the rate of 3 to 4 percent for the last eight years and this rate of increase is expected to continue through 1995. See Table One.

State Aid in Florida

In 1973, the Florida Legislature adopted the Florida Education Finance Program (FEFP), a funding formula designed "to guarantee to each student in the Florida public school system the availability of programs and services appropriate to his educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors".[4] The FEFP is the mechanism which drives public schools' funding in the state and divides responsibilities of public education funding between the state and local governments. Each county in the state is a school district unit. The FEFP is a distribution formula that does not assess the adequacy or the outcomes of such distribution. It was intended to meet the basic needs of every student in the state in a manner that would give each pupil the same opportunity as any other, provide a more integrated society in Florida, and enhance the resource base in the state. Since each of the 67 counties in the state is a school district, the FEFP is designed to recognize variations in taxes and costs among different counties. The FEFP formula recognizes the following:

1. varying local property tax bases,
2. varying program cost factors,
3. district cost differential,
4. differences in per student cost for equivalent educational programs due to sparsity and dispersion of student population.

To arrive at a "weighted FTE" for each program, the FEFP multiplies the number of full-time equivalent students (FTE) in each educational program by the program's cost factors. The weighted FTE's are then multiplied by a base student allocation and a district cost differential plus or minus three different adjustments to arrive at the total state and local FEFP dollar amount. Those adjustments include: declining enrollment supplement, sparsity supplement, and funding adjustment supplement. The required local effort which is almost entirely supported by local property taxes, is legislated through mills that vary across districts due to varying property appraisals. The total local effort required by the FEFP is capped by the state constitution at 10 mills. The required millage rate of each district varies depending

on local property valuations. It has averaged 6.587 mills for the last two years, 1992-93 and 1993-94. Each district is allowed to raise up to 2 mills for capital outlay and maintenance. In addition a discretionary millage rate for "current operation" is established in statutes every year. For the last three years, 1991-92 through 1993-94, the discretionary millage rate has been 0.51. The required local effort is subtracted from the state and local FEFP plus or minus some adjustments to arrive at the net state FEFP allocation. Adding district discretionary lottery funds, categorical program funds and special allocations to the net state FEFP allocation gives the total state finance program allocation.

Comparative State Rankings

Comparing Florida's efforts to fund its educational system indicates that though effort is low, Florida's expenditures ranks it above the average of other states. Florida ranks 18th in public school revenue per pupil in average daily attendance and 14th in current expenditures for public elementary and secondary schools per pupil, both for 1991-92. Florida ranks in the lower half on indications of effort. In current expenditures for public elementary and secondary schools per pupil as a percent of per capita income (1991-92), in per capita state and local spending for education (1989-90) and in state and local spending for education per $1,000 personal income (1989-90), Florida ranks respectively 28th, 36th and 40th. Much of the discrepancy between expenditures and effort is explained by the demographic structure of Florida. Florida has the highest median age of any state, meaning that a much larger proportion of its citizens are not of school age. Florida teacher salaries comparative rankings put Florida right in the middle of other states. Florida ranks 26th in estimate average salaries as reported by AFT and by NEA (1991-92). Another indication of inputs is the pupil-teacher ratio. In Florida the 17.6 ratio places Florida 16th in the country.[5]

Educational outputs indicate that despite its funding situation, Florida's students do not compete favorably with other states. Florida ranks 12th out of the 22 states whose students

primarily take the SAT College Entrance exam. The average Florida score for 1992 is 884, which compares to a national average of 899 and which represents virtually no change over a ten-year period and is below the U.S. average. Indeed, looking at change over time, Florida ranks 42nd in percent change in SAT and ACT scores over the ten-year period between 1982 and 1992 with a -0.2% decline. Interstate high school graduation rankings continue to show Florida ranking 50th (with a graduation rate of 58.0) even though this ranking is vigorously disputed by the Florida Department of Education whose figures show the Florida graduation rate to be approximately 76%. The adult illiteracy rate for Florida is also quite high with Florida showing an illiteracy rate of 15% placing it in the upper quintile when compared to other states.[6]

Evolving Political Context

The political environment in Florida experienced dramatic changes over the past year, the impact of which on public education will no doubt be significant. Three events in particular bear notice. One, the rising strength of the Republican party expressed itself in the election of a Senate comprised equally of 20 Republicans and 20 Democrats. After protracted negotiations, the impasse over control of the Senate was broken with an agreement that a Republican would serve as Senate President the first year of the biennium, a Democrat the second and that membership on all committees would be composed of equal numbers from both parties. This marks the first time since Reconstruction that Republicans have controlled a chamber in the Florida Legislature. Two, an extraordinary high degree of turnover in legislative seats resulted in large freshmen classes in both houses. The turnover was caused by a number of reasons including (1) re-apportionment (the population in Florida had increased by almost 40% in the decade between 1980 and 1990) which not only rearranged legislative districts but also created new Congressional seats which attracted a number of veteran state legislators and (2) an anti-incumbency sentiment among voters (or the fear of it resulting in veteran legislators choosing not to rum again and more serious challenges to long-held seats

resulting in some unexpected incumbent defeats). Finally, the voters of the state passed a constitutional amendment limiting the terms of state legislators to eight years.

Outcomes of 1992 Legislative Session

The 1992 legislative session was one of the longest and most rancorous in modern memory exacerbated by decreasing revenue collections, reapportionment and an increasingly partisan cast to many issues as a result of growing Republican strength in the upper chamber. The appropriation bill was not passed out until the morning of July 1, a few hours into the next fiscal year. Education appropriations suffered from low state general revenue levels and competition from other public service sectors, particularly health care and prisons. The final outcome for K-12 education was a slight decline in per-pupil expenditures, continuing two previous years of decline.

The state funded an enrollment growth of 68,396 new FTE students, an increase of 3.23% from the previous year and the smallest percent increase since 1985-86. See Table One. The 1992 appropriations for K-12 including the state aid formula, categoricals and local required and discretionary contributions continued a two-year decline in per pupil expenditure. Though the state dollars per weighted FTE increased by 0.34% that was offset by a decline in the local required and discretionary funds of -0.65%. The total dollars per weighted FTE for 1992-93 were $3094.56, a decrease of $1.58 or 0.0006% per FTE. See Table Two.

Outcomes of the 1993 Legislative Session

On April 5, 1993, the Florida Legislature enacted a $35.2 billion state budget that was 13% larger than the previous year's budget, included no new taxes and restored most of the budget cuts suffered by the public schools over the previous two years.

Public schools received increases of approximately 3.6% per pupil resulting in a statewide per-

pupil average of $3,214 per FTE for a total public school appropriation of $8.8 billion. This included $218 million to pay for 67,673 new students, $279.7 million to restore school funds cut during the recession and $55 million to buy computers and related technology. This amount is close to the 1990-91 level before the cuts started, if inflation is not factored in and resulted in an increase of approximately $110 per pupil. Including the required local effort increased the per-pupil appropriation per FTE to $4676.70.

The increase was achieved without having to increase taxes due to a number of factors. Clear indications of economic recovery resulted in a forecast of an extra $1.0 billion in new revenues for 1993-94 prior to the session. On top of that, a number of unexpected events created a virtual windfall of new funds in the closing weeks of the session: a revised revenue collection estimate produced an additional $381 million, public school enrollment predictions were a little lower than expected, lottery sales whose revenues in Florida are dedicated to education were higher than expected increasing dramatically after a couple of extremely high jackpots, and a correction in a computer-caused overestimate of Medicaid rolls freed up an additional $172 million. The new revenues permitted a relatively amicable conclusion to the debate over level of funding.

Distribution issues proved more problematic. The disputes were both philosophical and political. The state's statutory funding formula which has traditionally been a national model in terms of interdistrict equity, had been modified considerably over the previous five years. A new and controversial methodology for determining the district cost differential factors in the statutory formula had been imposed in an attempt to aid rural school districts. In addition, to help attenuate the effects of the budget cuts over the previous two years, a funding adjustment had been added to the end of the formula calculations which assured that each school district would receive the same per pupil additional dollars each year. While serving to buffer some districts from the worse effects of the recession, it also contributed to de-

equalizing the distribution.

In the 1993 session, the House proposed to continue the funding adjustment method, recommending that all new revenues be distributed equally on a per-pupil basis across the sixty-seven districts. This would have resulted in all districts receiving a 3.25% per-pupil increase. The Senate, however, following the recommendations of a recently released state task force on the state aid formula, proposed to return to the statutory formula for determining regional cost differentials. This would have recaptured the high level of equity characteristic of the state's aid formula. However, as the House argued, it would have resulted in some counties receiving relatively higher increases and others faring less well. The debate had a decidedly parochial cast to it because the Senate proposal benefited a number of urban districts in which powerful Senators resided and the House proposal likewise assisted rural districts in which a number of the House leaders resided.

The compromise that resulted was to use the funding formula in statute but to also guarantee a minimum increase of 2.94% per pupil for every district. This resulted in 57 districts receiving a 2.94% increase and the remaining 10 receiving higher percentages. The 10 districts included a number of the largest and most urban districts in the state and represented approximately 50% of the pupils. The highest increase was 5.36%.

Unresolved Issues

Adequacy of Funding

State Policies. The issue of adequacy is the most serious educational finance issue facing Florida. There are three basic constraints on the finance system. One, the tax base from which Florida currently draws its education revenues is severely limited. By law, Florida cannot impose a state personal income tax nor can it impose a state property tax. As indicated above, the state has traditionally relied mostly on sales and corporate income taxes

(see Table Three).

The volatility of the sales tax has undermined the stability of educational funding at the state level. The recession eroded state forecasts of taxable sales leading to two different major cuts in 1991-92. In fact 8.5 percent ($944 million) of the estimated general revenue tax collection did not materialize in 1990-91.

Another complicating factor is the recent increase in the caseload of other program areas, increases over which the state has limited control. Demographically-fueled increases in dependent populations, federal mandates covering Medicaid, and court orders binding service delivery in juvenile justice, mental health, foster care and corrections among others have all increased the percentage of the state budget going to these areas and limited state budgeting flexibility. For example, Medicaid expenditures by the state have been increasing at over 30% annually in recent years. Such increases have been substantial and have contributed to the decline of education's share of the general revenue fund (see Table Four). Finally, in November 1992, voters of the state of Florida enacted a constitutional amendment requiring the State to establish a budget stabilization fund amounting to 5% of the general revenue fund by fiscal year 1998-99. This will require that the State lay aside over $600 million in the next five years.

Another possible reason for the decline is the new revenue source for Florida's education, the lottery. In 1987 the state started operating Lottery games with all of the net proceeds dedicated to educational funding including the college and university systems. It is widely alleged that the lottery has hurt educational finance mostly because of the degree of substitution that those proceeds allow with general revenue funding. However, Table Four shows that education's share of the general revenue fund was in decline even before funds from the Lottery were included in 1988-89. Others, however, have also argued that the Lottery funds did serve to mitigate the extent of the damage to the education budget resulting from the shortfalls in tax collections. Finally, a different line of thought argues that the lottery

has hurt educational finance by fostering a misconception by the public that Lottery revenues are meeting educational funding needs. This may inadvertently relieve pressure to seek additional revenues to support the expanding school system or to remedy any shortfall.

TABLE FOUR
PUBLIC SCHOOLS PERCENTAGE SHARE
FROM GENERAL REVENUE

Year of Appropriation Bill	Percentage Share
1987	42.3
1988	41.4
1989	40.6
1990	39.0
1991	38.9
1992	38.1

Source: Florida School Boards Association, 1990 and 1992, Final Legislative Reports, Tallahassee, FL.

A related issue is the so-called tax gap. It has been estimated that the state has a tax gap (defined as the difference between the amount of state taxes that are legally owed and what the state collects) of over a billion dollars. The property tax in particular has come under close scrutiny. In Florida, 66 counties have elected appraisers. Dade County has an appointed official. A series of reviews -- a state-wide grand jury report, two recent state audits and an internal revenue department study -- included the following findings, suggesting the property appraisal system is seriously flawed.

- About one-fourth of privately owned land in Florida is under-appraised; 5 percent of the state's property is valued at only about half its estimated sales value; another 15 percent of Florida landowners pay too much - up to a 25 percent more than their property is worth.
- State officials do not use comparative sales to verify appraisals when they check up on or "certify" local property appraisers' tax rolls. Experts say sales -- commonly relied in other states -- provide the most accuracy.
- Local appraisers essentially are free to use whatever method they want to

evaluate agricultural property throughout Florida because no state standards exist. This lack of uniform state standards promotes inequity.

- Some taxpayers were paying more than twice their fair share of taxes. Some county appraisers artificially keep assessments low to fend off political pressure. State law requires all property in Florida to be appraised at "just value," which now is considered greater than 90 percent. But at present, estimates are that at least a quarter of all property in Florida is undervalued and 15 percent overvalued.

Some legislators are reluctant to support new taxes while collection rates on currently owed tax revenue is low. However, proposed legislation to improve tax enforcement through additional funding for collection enforcement and through increasing penalties, has been politically unpopular and has met with only modest success to date.

Local Responses. Districts are being forced to make up as best they can for the shortage in state funding. Property taxes are almost the only source of local revenue for school districts and are limited in their scope. A 1981 constitutional amendment that increased the homestead exemption to $25,000 per household along with the 10 mills cap on local property taxes has been the center of criticism in state and local fiscal circles. Property poor districts complain that the exemption has limited their capacity to raise funds and thus forces them to rely more on ever dwindling state funds. However, it seems that at current average home prices, it is doubtful that this exemption amounts to as substantial a percentage as it did back in the mid-80's.

It is clear, therefore, from this overview that the issue of adequacy will not be easily solved. Any major infusion of funds through new taxes will be politically painful given the current legal constraints on more broadly based taxes and public resistance to increased taxes.

Educational Reform Initiatives

Criticism of the quality of the educational system which has been ongoing since the early 80s has not abated. Elected officials, the business community, some educators and other various interest groups continue to call for improvements in the quality of education being receive by Florida's children. To the pressure of improved quality is added, as well, calls for increased efficiency due to a number of reasons including increased Republican strength in the

Legislature, data suggesting that increases in administration have outpaced increases in teaching staff and frustration that a decade of substantial per pupil funding increases have not resulted in comparable academic gains.

Accountability. In 1991 the Florida Legislature enacted the School Reform and Education Accountability Act. Coming on the heels of almost a decade of increasingly prescriptive education reform initiatives, the accountability act represented a major rethinking of the programmatic and financial relationship between state and local school districts. The intent of the bill is to hold local schools and school boards more accountable for educational outcomes by developing state and local outcome measures. Each school is required to undertake a needs assessment and develop a three-year improvement plan. Sanctions, though as of yet unspecified, are to be imposed against schools which fail to demonstrate adequate progress. In exchange for demanding more accountability for educational outcomes, the accountability bill of 1991 gives school districts more control of spending through elimination of most of the state's categorical programs.

During the early 1980s (and even earlier in some cases), Florida, a state with a traditionally activist legislature, led the country in the enactment of higher academic course requirements and in developing other special programs to improve the state's educational system. Most of the new programs were accompanied by additional statutory and regulatory requirements and were accompanied by categorical appropriations to help districts meet these requirements.

By the end of the decade, schools and school districts were having to deal with an increasingly large number of categorically-funded programs, a burgeoning body of regulations accompanying their expenditures and no evidence of increased student performance. At the same time, many national experts were arguing that the top-down reform strategies adopted by many states including Florida, were counterproductive, and were actually decreasing schools' ability to respond to the needs of their students.

Under pressure from the Governor and the Commissioner of Education, the 1991 Florida Legislature enacted laws designed to return more control over educational practice and discretion over expenditures to local school districts. Through the School Reform and Education Accountability Act, the majority of the special programs were held in abeyance, the accompanying categorical appropriations were zero-funded and the funds thus freed up were folded into the base of the FEFP. Over twenty-five different categorically-funded programs, some over a decade old, were thus discontinued. While a number of these programs were small in size, others were major programs with large accompanying appropriations. For example, the Primary Education Program (PREP), enacted in the late 1970s requiring special services for students in kindergarten through third grade was among those eliminated. Its categorical appropriation level in recent years had been well over one hundred million dollars.

Thus, the result was that the school districts were released from a number of statutory and regulatory provisions and received a greater percentage of their state aid through the relatively more flexible aid formula rather than the categorically-defined programs.

The new law also requires that each school appoint a school advisory committee which is to include parent and other community representatives. The committee is to assist in the development of a three-year school improvement plan and in monitoring schooling outcomes.

Many in state education administrative circles believe that the accountability initiative will better meet the needs of schools and improve quality by allowing those closest to the educational process to enact their own reform. However, the coincidence of the accountability initiative and the state budget crunch has led some people outside state administrative circles to underscore the fact that shifting the level of responsibility to districts consequently transfers the burden of inadequate funding to them. Some believe that it is a scheme by the Governor, the Commissioner of Education and the Legislature to wash their hands of the funding problem. Others believe that it will inevitably put more pressure on taxpayers to come up with more funds.

The accountability initiative could have two different results with regard to inadequate

funding. On the one hand, increased knowledge gained about school practices due to required participation of parents and other community members in the school advisory committees may lead the public to believe that there is a legitimate need for additional funds and grass-roots support for better funding may appear. On the other hand, if the accountability initiative reveals a failure of schools to achieve adequate outcomes, then local district administrators may be the target of dissatisfaction. All this will certainly intensify the pressure on local administrators to scramble for funds and to become skillful in communicating their needs to the public. However, the irony is that many believe that unless there are additional funds to finance the growing needs, those standards will be hard to meet and the public's confidence in public schooling may decline further.

Choice. The state of Florida has yet to pursue either public school open enrollment mandates or private school voucher proposals. Though there are organized groups in Florida advocating choice programs -- the best known being headed up by Jeb Bush, son of the former president and a Republican candidate for governor in 1994 -- the political support has yet to materialize. Choice legislation was proposed in both houses in the 1993 legislative session but failed to pass out of committee. Furthermore, a charter school proposal recommended by both the Commissioner of Education and the Governor failed in the Legislature.

Technology. Due to support from the Commissioner and the Governor as well as the Legislature, funds continue to be made available for technology equipment and training. Over $55 million was appropriated in 1993 specifically for both technology-based programs and for technology purchase by districts.

Equity

The Florida Education Finance Program when enacted in 1973 was a national model for inter-district and inter-student equity. Over the course of the last twenty years, however, the number of specific categorical programs appended to the FEFP grew as particular needs were identified. Many have argued that this trend eroded the original balance of equity. The

elimination of many of the categorical programs as part of the 1991 accountability initiative has presumably restored the balance to some degree.

Furthermore, the 1993 Legislature abandoned a method for calculating district cost differentials which increased inequities. In fiscal 91-92, the Legislature, facing severe revenue constraints and seeking to avoid cutting any district funding, had opted to put on hold the FEFP's traditional district cost differential factor and substituted one proposed by state senator Curtis Peterson. The Peterson District Cost Differential (DCD) relied on the highest price index of 23 judicial circuit district courts in awarding each school district within those 23 judicial districts at least that price index. After calculating the total amount of funds to be distributed using the rest of the FEFP formula, the actual distribution to each district was determined by dividing the total amount among districts. It awarded 0.42 percent per weighted FTE enrolled student across the board. This method mitigated cuts across all districts, but it also reduced the impact of the equalizing measures calculated at the front-end of the formula. The 1993 Legislature restored the traditional district cost differential methodology but, to mitigate the impact, guaranteed an increase in per-pupil funding of at least 2.94% across all districts. This, too, should increase inter-district equity.

Additionally, there has been concern raised by various groups in the state regarding the locally-raised "current operation" millage. Many believe that it has widened the gap between the property-value rich counties in the south and the relatively poorer counties in the north. The state commissioner of education along with some interest groups have called for abolishing it. Although for fiscal 91-92 the Legislature responded by lowering it to 0.51 mills, where it has remained, legal challenges were stimulated in Sarasota and Alachua Counties. The Circuit Court in Sarasota County and recently the State Appeals Court ruled that the state legislature has no authority to limit discretionary millage. The Commissioner and the State Attorney General are seeking a decision from the State Supreme Court. The Circuit Court in Alachua, however, did confirm the Legislature's authority to limit discretionary millage. State administrators fear that if the decision stands, it will erode the state's achievements in

educational opportunities over the last twenty years and open the door to a polarized educational system.

A State Commission on Tax and Budget Reform was formed in 1988 by a public referendum to study the fiscal problems of the state over a two-year period. It has recommended that the required local taxes be levied at a combination of a range of 5-7 mills for the basic local effort and 3-5 mills for the discretionary local effort. If adopted, this recommendation will intensify the inter-district inequity. It is clear that as stress on statewide revenue sources increases, local districts who do have additional revenue generation capacity will exert increased pressure to be allowed to tap their local sources.

Alternative Tax Sources

There is a growing realization, especially during the recent recession, that a better tax system to deal with growth, equity and adequacy of funding is needed. Opinions differ on the shape and timing of such alternatives. There are some who adopt the "wait and see" approach, and there are those who urge immediate change. Those who urge patience point to the fact that the economy will determine how serious the tax structure problem is. Those who urge change point out that lottery revenues have probably leveled off and sales tax yields are too unstable to meet enrollment growth. They argue that even with a healthy economy, increases in sales taxes would not be enough to meet educational needs by the year 2000, particularly given the high rate of enrollment growth and increased pressure on the general revenue fund from other program areas.

Alternatives range from state income taxes, to revised versions of the repealed sales tax on services, to a combination of income, sales, and state property taxes. The state's current reliance on the sales tax is very problematic. Not only have sales tax collections suffered from the recent recession, but according to C. West (1990) "taxable sales in Florida do not generally rise proportionately with the state's income. Resident income elasticity of commodities covered by the tax is probably marginally less than one."[7] An examination of

taxable sales as percent of personal income over the last two decades illustrates the fact that taxable sales have not, on the whole, kept pace with income growth. Projections over most of the 1990's lead to the same conclusion. State visitors are, in fact, shouldering more and more of the state sales tax. Over the last decade this phenomenon existed without any visible problems but the recent recession slowed tourism in the state and lowered tax revenues

A more equitable and stable revenue source, a state income tax, has probably the least chance of passing as an alternative. State and local public school revenue per FTE pupil as a percent of per capita personal income has increased steadily over the last three decades. However, this increase still puts Florida below the national average. The elasticity index, which measures the ratio of the percent change in per pupil revenue to the percent change in per capita income without adjusting for other factors, fluctuated widely prior to the 1980s. However, since the early 1980s state and local revenue have been more stable. This is attributable more to the local revenue source's stability than to the state portion. For most of the decade of the 1980s, the per capita income elasticity of enrollment revenue index was above the number one. A one percent change in per capita personal income was accompanied with a more than 1 percent increase in per pupil state and local revenue.

The 1990 census figures indicate that there has been a net increase in Florida's elderly population. Many of the state's elderly citizens are limited-income residents or tax-weary migrants escaping high taxing states in the northeast and the Midwest. They are also committed voters with high voting participation rates. As a political constituency they tend to oppose any form of taxation affecting them directly, especially income tax.[8]

Recently the governor proposed repealing service tax exemptions on many business transactions to fund "investments" in the people of the state, including education. Given the recent (1987) repeal of a similar tax due to intense lobbying, many doubt that the legislature will agree to it in an election year. Under a different name and format, a piece-meal service

tax could have a chance. By dividing and conquering starting with the weakest lobbies, the public might eventually allow a certain combination to pass. Regardless of the configuration of state tax reform, some conservative budget analysts believe that more taxes will stimulate more governmental spending and the long-term effect on the budget is that it will always fall short of demand. However, the counter argument contends that the issue is not that of finding a taxation structure which will generate continually more revenue, but of finding one that is more stable and more responsive to growth.

If an alternative tax source seems to be impossible and frustration with current levels of student achievement increases, one result might be a wave of choice and privatization movements. Growing discontent among middle-class taxpayers to a perceived deterioration in educational quality might provide a political constituency for such reforms. Already, strategies advanced for the use of vouchers and tax credits for parents to send their children to public or private schools of their choice have been gaining acceptance by the public.[9]

Communication

There is increasing concern among state policy-makers that the public's perception of education may be declining. According to some, the average tax payer has grown to mistrust how public funds are being used to finance education. This is especially true for the Lottery. A perceived lack of accountability or simply a lack of knowledge about where the funds go contributes to an image of poor management. A majority of Floridians (66 percent) believe they receive less in state services than they pay in taxes. However, the majority (62 percent) also say that they believe they pay the right amount of taxes, with only 29 percent believing that they are overtaxed.[10]

In recent years, annual public opinion surveys have detected the general public's mistrust in educational management and at the same time its qualified support for increased K-12 funding. Some analysts believe that education administrators need to concentrate efforts on how to communicate better with the public. Some in the education arena including the two

teacher's unions have actively been involved in educating the public on taxes, their equity, stability and feasibility. Conveying to the public a simple analysis that compares the different alternatives related to the growing needs has driven some of the messages home. This year's survey indicated that, for every cross-section of the population (age, ideology, and income) the majority of Floridians (80 percent overall) favored an increase in public school funding. Education received the highest percentage among all state programs. See Table Five.

When asked about ranking state funding priorities by program, K-12 funding was ranked highest with 41 percent. Combating crime, elderly assistance, and health care came in second with 10 percent each (see Table Five), a considerable change from the results of the prior year's survey in which only 21 percent indicated K-12 funding as a priority.

It seems that the public has gotten the message regarding the woes of educational funding in the state: To improve the quality of education the state has either to do more with the resources available or increase funding. Perhaps with the passage of the accountability bill, the public (at least for now) may start to believe that practitioners have been trying to make more out of existing funds.

Summary and Implications

The overview of the state's fiscal status and the five areas of concern identified by state policy analysts regarding education finance - adequacy, accountability equity, alternative tax sources and communication - indicate a highly unstable fiscal and political environment regarding state funding of education. Adequacy is the most serious issue. The state's tax structure is not sufficient to handle extraordinarily high rates of student enrollment growth.

The accountability initiative has allowed school districts more flexibility in how they spend the money but has not produced any new revenues for them. Interest in accountability has sharpened the spotlight on the school's performance. The fear among local educators is that the combination of reduced resources, subsequent poor achievement and heightened

attention may produce a public backlash.

Pressures on equity are mounting, however, recent actions by the 1993 Legislature may have addressed some of the issues. There is increasing controversy around the legal and practical status of the state's statutory cap on local discretionary millage for operations.

The issue of alternative tax sources has been hotly debated since 1987 and so has the repeal of the extension of the state's sales tax to services. Other options are now being advanced but taxpayer resistance continues to be high. Finally, it does appear that the public in general is becoming increasingly well-informed about education funding needs and this may help weaken resistance to additional revenues.

It is clear that future solutions to current problems will be forged from a combination of technical, financial and political strategies. The issues of adequacy and equity will be dealt with not only on their own merits but on how they intersect with other political concerns. Public knowledge and public perception of tax fairness and tax burden will play as strong a role in technical analyses on any future resolutions.

ENDNOTES

1. Carol T. West, "State Issues and Regional Economies," in David Denslow, Ann Pierce, and Anne H. Shermyen's (eds.) *The Economy of Florida: 1990* (Gainesville, FL: Bureau of Economic and Business Research, The University of Florida, 1990).

2. Thomas R. Dye, *Public Policy in Florida: A Fifty-State Perspective* (Tallahassee, FL: Policy Sciences Program, Florida State University, 1992).

3. Carol T. West, *The Florida Outlook: Fourth Quarter, 1992* (Gainesville, FL: The University of Florida, 1993).

4. State of Florida, Florida Statutes, Section 236.012(1).

5. B. Brizius, *State Profiles* (Alexandria, VA: Author, 1992).

6. *Ibid.*

7. West, *op. cit.*, p. 66.

8. An interesting phenomenon about Floridians' preferences for taxes indicated by the Survey Research Laboratory's *The Florida Annual Policy Survey: 1992* (Tallahassee, FL: Policy Sciences Program, Florida State University, 1992), is that those with lower than five years of residence prefer almost equal percentages among state income, sales, and services taxes (ranges 28-32 percent). Those with more years of residence indicate less preference for the income tax (12 percent for those with 11 years or more). It appears that they are initially willing to accept an income tax. When they live in Florida longer, their preference for a state income tax declines.

9. *Florida Annual Policy Survey, op cit.*

10. *Ibid.*

TABLE ONE

STATE TOTAL STUDENT INCREASE
From 1982-83 To 1992-93

Year	FTE Students	Increase	% Increase
1992-93	2,186,500.64	68,396.89	3.23
1991-92	2,118,103.75	75,057.18	3.67
1990-91	2,043,046.57	88,803.14	4.54
1989-90	1,954,243.43	75,039.81	3.99
1988-89	1,879,203.62	68,278.14	3.77
1987-88	1,810,925.48	62,498.59	3.57
1986-87	1,748,426.89	55,487.36	3.28
1985-86	1,692,939.53	40,082.08	2.43
1984-85	1,652,857.45	25,035.24	1.54
1983-84	1,627,822.21	3,728.70	0.23
1982-83	1,624,093.51	N/A	N/A

TABLE TWO

STATE TOTAL FEFP INCREASE
PER WEIGHTED STUDENT*
From 1982-83 To 1992-93

Year	State Dollars Per Weighted FTE	Dollar Increase	Percent Increase	Local Dollars Per Weighted FTE	Dollar Increase	Percent Increase
1992-93	1,876.98	6.37	0.34	1,217.58	-7.95	-0.65
1991-92	1,870.61	-107.53	-5.44	1,225.53	41.41	3.50
1990-91	1,978.14	15.22	0.78	1,184.12	102.01	9.43
1989-90	1,962.92	153.59	8.49	1,082.11	100.71	10.26
1988-89	1,809.33	99.45	5.82	981.40	81.81	9.09
1987-88	1,709.88	178.83	11.68	899.59	35.02	4.05
1986-87	1,531.05	79.64	5.49	864.57	84.66	10.86
1985-86	1,451.41	137.45	10.46	779.91	101.72	15.00
1984-85	1,313.96	114.72	9.57	678.19	60.12	9.73
1983-84	1,199.24	126.26	11.77	618.07	49.18	8.64
1982-83	1,072.98	N/A	N/A	568.89	N/A	N/A

*Total includes state formula and categorical funds; local required and discretionary funds

Source: Florida School Boards Association (1992), 1992 Final Legislative Bulletin, Tallahassee, FL: Author.

TABLE THREE

1991-992
RECURRING ESTIMATED GENERAL REVENUE COLLECTIONS
(Millions of Dollars)

Source	Final Estimate	% of Total Collections
Sales Tax	8,012.6	69.6
Beverage Tax	549.8	4.8
Corporate Income Tax	875.4	7.6
Documentary Stamp Tax	396.0	3.4
Tobacco Taxes	134.9	1.2
Insurance Premium Tax	194.1	1.7
Pari-Mutuels Tax	70.7	0.6
Intangibles Tax	321.3	2.8
Estate Tax	279.2	2.4
Interest Earnings	102.3	0.9
Severance Tax	36.9	0.3
Service Charges	248.7	2.2
Medical-Hospital Fees	105.2	0.9
Other Taxes & Fees	177.7	1.5
Total Recurring Revenue	11,504.8	100.0

SOURCE: Florida's Joint Appropriation Committee, *Florida's Fiscal Analysis: 1991* (Tallahassee, FL: Florida Legislative Offices, 1991).

TABLE FIVE

TOP PRIORITY FOR A FUNDING
INCREASE AND DECREASE, 1992

Program Area	% Increase	% Decrease
Public Schools (K-12)	41	3
Combating Crime	10	1
Elderly Assistance	10	1
Health Care	10	1
Environment	8	1
Low Income Families	5	3
Highways and Roads	4	3
Industrial Development	4	10
College and Universities	4	1
Prisons	2	7
Promote Tourism	1	15
Don't Know	2	2
No program for an increase/decrease	2	53

Source: Florida Annual Policy Survey: 1992, p. 67.